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SUPPLEMENT TO
REPORT NO.

25X1X

1. Financial circles in Shanghai expect a serious monetary crisis before the end of 1951 because of the Korean War. Measures taken previously to stop the rise in prices have been largely ineffective. These were the issue of JMP 50,000 and JMP 100,000 notes and the regulation forbidding any business to withhold more than one day's requirement of cash from its bank account.¹
2. It has not been possible to eliminate the black market in money, although the risks of illegal dealing in currency are so heavy that a middleman's commission is from 8 to 10 percent.
3. Between early September and early October the black market price of the U.S. dollar rose from JMP 23,000 to JMP 27,000, with an extra JMP 1,000 per dollar for banknotes of US\$ \$100 or more.
4. Between early September and early October gold prices in Shanghai rose as follows:

Normal: from JMP 1,150,000 to JMP 1,200,000 per ounce.
Changtiao bars or Hangtiao bars: from JMP 1,200,000 to JMP 1,250,000 per ounce.
5. In early September 1951 at a meeting of the Financial and Economic Committee in Peiping, a speaker stated that revenue for 1951 was expected to be US \$ 21 billion, and expenditures from US \$ 23 billion to US \$ 24 billion. It was possible, however, that the deficit would be partly covered by the profits of the government monopolies.
6. At this meeting another speaker referred to disagreement between the USSR and China over payment of arms supplied by the USSR for use in Korea. The value of these was [redacted] billion. Originally the USSR promised to supply

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arms, including airplanes, free; in the Chinese budget for 1951, therefore, no money was set aside to pay for these arms. Then the USSR demanded payment at high prices in American currency.

7. By the sale of confiscated property, and from the foreign exchange surpluses of 1949 and 1950, about US \$ 5 billion has been raised and paid to the USSR; but a balance of US \$ 3 billion remained and could not be settled.²

1. 25X1A Comment. 25X1A reported a conference on 22 August of Chinese Communist leaders on currency.
2. 25X1A Comment. 25X1A reported on foreign exchange rates and instability of the JMF during the same period.
3. 25X1A Comment. 25X1A reported a shipment of silver dollars and silver rubles to the USSR in mid-October 1951.

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